

THE SECRETARY OF DEFENSE
WASHINGTON

MAY 16 1970

Honorable Richard B. Russell
Chairman, Committee on Appropriations
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to you, to Senator Stennis, and to Senator McGee to express my views on the serious effects that certain amendments to the Foreign Military Sales Act now pending in the Senate would have on the security of the United States. In addition to Section (7), the so-called Cooper-Church amendment which is being addressed separately, two sections give me particular concern. These are:

. Section (9), which severely limits the amounts of items excess to the needs of our armed forces which we can provide at no cost or at nominal cost to our allies.

. Section (10), which requires that a recipient country provide local currency of a value equal to 50% of the value of military grant aid provided by the U.S. to that country.

Detailed statements of the adverse effects these amendments would have on our own security and that of our allies are attached. Taken together, the amendments would severely limit the effectiveness of our collective defense arrangements, probably result in increased requirements for expenditures on U.S. military forces, and make more difficult the withdrawal of U.S. forces from overseas while continuing to meet our mutual defense obligations.

I urge your support on securing modification of the proposed amendments along the lines suggested in the attached detailed statements.

Sincerely,



Attachment
As stated

cc: Honorable Milton R. Young

Zero copy to Byrd

SECTION (9)

We do not object to a legislative limit on the value of excess defense articles to be provided annually to foreign countries. The ceiling proposed, however, will prevent the U.S. from making optimum use of these assets in the achievement of its foreign policy objectives.

The level proposed (\$70 million at acquisition cost) drastically curtails the important contribution that excess articles make to the Military Assistance Program. For example, of the \$350 million appropriated for FY 1970, only \$78 million is for modernization, the remainder being needed for training, operation and maintenance of equipment on hand, and for shipping materials programmed in prior years. Unnecessary curtailment of excess issues will increase the need for MAP funding of operating requirements and diminish our ability to use these assets for modernization. The major impact will be felt by countries such as Turkey, China, and Korea.

Curtailed use of excesses will not produce savings to the U.S. The materials have long ago been paid for by the Defense budget and are no longer needed to meet current operational requirements and mobilization reserves of the U.S. military services. Costs of repairing and shipping these articles are borne by either the recipient or the MAP appropriations. If not used to meet military assistance requirements, they will be scrapped and useful defense resources will be wasted.

Much of the equipment furnished from excess is old and, by U.S. standards, obsolescent and beyond the point of economical repair. But,

to the recipient country where materials are relatively scarce and expensive while labor is relatively plentiful and inexpensive, these equipments are extremely valuable and useful.

DOD calculations indicate that, if we take into account such factors as age, condition, and actual usefulness to the recipient, excess materials have a world-wide "utility" value--or real value to the recipient--of approximately 30% of acquisition cost. We believe that a ceiling of \$152 million calculated at a "utility value" formula of 30% of acquisition cost is essential to avoid wastage of valuable defense assets, and urge that the following be substituted for the committee amendment:

"Section 9(a) Notwithstanding any provision to the contrary in the Foreign Assistance Act of 1961, as amended, the utility value of excess defense articles programmed to carry out part II of that Act for the fiscal year 1971 shall not exceed \$152,000,000. For the purpose of this section, utility value means thirty percentum of the original acquisition cost to the United States of the excess defense articles.

"(b) The President shall promptly and fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each decision to furnish on a grant basis to any country excess defense articles which are major weapons systems to the extent such major weapons system was not

included in the presentation material previously submitted to the Congress. Additionally, the President shall also submit a quarterly report listing by country the total value of all deliveries of excess defense articles, disclosing both the aggregate original acquisition cost and the aggregate utility value at the time of delivery."

SECTION (10)

We agree in principle with the objectives set forth in the report (No. 91-865) of the Committee on Foreign Relations. As written, however, this provision would defeat the primary objective of military assistance since its principal impact would be on the forward defense countries such as Korea and Turkey, which receive the bulk of military assistance and which have the most need for assistance but the least ability to pay in either dollars or local currencies.

On the other hand, the amendment will have little effect on those countries where MAP is small in comparison with their defense budgets. As a consequence, the effect of the amendment is clearly contrary to its purpose as stated in the report of the Foreign Relations Committee, which is to discourage countries which do not need large military budgets from wasting their resources.

In those countries where there is no surplus of U.S. owned foreign currency (essentially those most needing U.S. assistance), the amendment in effect requires the country to pay in dollars, rather than

local currency, since the deposited currency could be used to meet local U.S. obligations for which the U.S. now purchases local currency with dollars. Ideally and normally, in reducing the MAP for a country the transition is from grant aid to credit sales to cash sales as the economic situation in the country improves. The proposed amendment would omit the credit step and require the country to move precipitously from grant aid to cash sales, with resulting disruption of their budgetary and planning systems.

For recipients to obtain funds to make the required deposits, they will have to divert funds from other purposes, such as economic and social development, increasing the percentage of their budgets which are devoted to military purposes. No time is provided for them to make the necessary budgetary adjustments or to assess impacts. Recipients are thus placed in the position of turning over to the United States the power to determine for what purposes their funds will be spent, and at the same time, having to make hasty decisions on allocation of remaining resources. In view of the large size of military assistance programs, the impact is especially serious in Turkey and Korea. In the case of Korea particularly, the impact will be very serious, since almost the entire program is for items required for day to day operations. If the Koreans cannot provide the required sum, combat efficiency will be directly affected at an early date.

In several countries, the provision of military grant aid assists the U.S. to maintain bases and facilities that are important to U.S.

strategy and security. Imposition of a requirement for these countries to deposit funds for the purposes set forth in this section would in effect require the allied country to pay for allowing U.S. access to its bases, or necessitate our doubling their present program levels in order to maintain the existing amount of the MAP.

Limitations on access to certain bases will affect our ability to support NATO, and in particular Turkey, with a resulting diminution of our ability to maintain a presence in the eastern Mediterranean. Should this occur, the adverse effect on our relations with the moderate Arab states and on the position of Israel is obvious. As a consequence the strategic balance of power in the area would be affected in favor of the Soviet Union, and in addition, U.S. economic interests in the area could suffer.

Withdrawal of U.S. troops from overseas areas such as Korea without a decrease in deterrence against Communist attack will be more difficult, since the demand on allied resources to fill the gap left by such withdrawals will be greater. For the same reason, badly needed modernization of allied forces will be more difficult.



THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20301

26 May 1970

Honorable Richard B. Russell
Chairman, Committee on Appropriations
U. S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On May 16, 1970, Secretary Laird wrote you concerning the serious effects which certain amendments to the Foreign Military Sales Act, now pending in the Senate, would have on the security of the United States. He made particular reference to those amendments which would severely limit the existing authority in the Foreign Assistance Act of 1961 to give excess defense articles to foreign countries (Section 9) and which would require a foreign country to pay, in its own currency, 50% of the value of military grant aid provided by the United States to that country (Section 10). Secretary Laird expressed the view that taken together these amendments would severely limit the effectiveness of our collective defense arrangements. I fully concur in this view and because of the nature of the military consequences which could flow from the proposed amendments, I am taking this opportunity to also urge your support in securing a modification to the current Bill.

For some twenty years the Military Assistance Program has been an important element in our national security policy. Through it, we have been able to strengthen our allies in those areas where we have mutual security interests, and we have thereby reduced the military requirements for our own forces. The Joint Chiefs of Staff have considered the Military Assistance and Sales Program to be an important aspect of the United States national security and weakening this program can weaken our security. Of particular concern to me are the serious consequences which the proposed amendments could have upon the military capability of our Forward Defense Allies, such as the Republic of Korea and Turkey.

As you are aware, the Republic of Korea is a key element of the United States forward strategy in Northeast Asia. If the Republic of Korea is to maintain her responsibilities

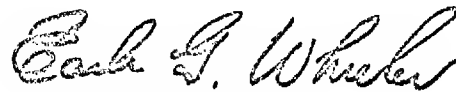
for her own self-defense against aggression, she must have enough modern military equipment to meet the military threat currently posed against her by the North Korean military forces. I had the opportunity to visit South Korea during October of last year and I saw first-hand the condition of the South Korean equipment. Their ground forces equipment is antiquated, and they lack adequate force mobility. Their Air Force needs additional resources, and their Navy needs additional surface units. If we are going to place a greater reliance on the indigenous forces of the Republic of Korea, we must be sure they can cope with the threats to their security, for their security is tied to the security of the free world. If United States military equipment, which would otherwise be scrapped, can be useful to enhance the capability of such indigenous forces, we ought not to permit these defense resources to be wasted. We ought not to take unnecessary risks by adding to our scrap heap instead of adding to an ally's strength.

One of the major objectives of our Military Assistance Program is also to assist such countries as Turkey so that she would be able to resist a general Warsaw Pact aggression. The Turkish military forces sit on the right flank of NATO, and they are exposed on two fronts. Turkey does not have the financial capability of equipping and maintaining a sufficiently modernized military force to cope with a Warsaw Pact forces attack against NATO unless the United States continues to provide her with military assistance. If the Turkish forces are to remain adequately equipped to cope with the threat to the right flank of NATO, the United States will have to continue to provide Turkey with a level of support essential to the effective implementation of the NATO strategies. Requiring Turkey and other Forward Defense nations to pay for grant aid would not promote the effective implementation of these strategies but, to the contrary, they would substantially weaken Turkey's military posture and hence weaken NATO and United States security.

The Military Assistance Program is a self-interest program. As we place a new and greater emphasis on the contribution of allied forces to the free world security--and hence to our security--we cannot allow it to wither away because of arbitrary ceilings on excess defense articles or by requiring foreign countries, who cannot afford to do so, to pay for grants. Because of the obvious serious consequences which

the proposed amendments would have upon United States security, I join with Secretary Laird in urging your support on securing the modification of the proposed amendments along the lines suggested in his letter of May 16th.

Sincerely,

A handwritten signature in cursive script, reading "Earle G. Wheeler".

EARLE G. WHEELER
Chairman
Joint Chiefs of Staff

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